

## NOTE ON A NEW, SUPPLEMENTAL INDEX OF CONSUMER PRICE CHANGE

The Bureau of Labor Statistics began publishing a consumer price index (CPI) called the Chained Consumer Price Index for All Urban Consumers, effective with release of July data on August 16, 2002. Designated the **C-CPI-U**, the index supplements the existing indexes already produced by the BLS: the CPI for All Urban Consumers (CPI-U) and the CPI for Urban Wage Earners and Clerical Workers (CPI-W).

The **C-CPI-U** employs a Tornqvist formula and utilizes expenditure data in adjacent time periods in order to reflect the effect of any substitution that consumers make *across* item categories in response to changes in relative prices. The new measure, said to be a "superlative" index, is designed to be a closer approximation to a "cost-of-living" index than the CPI-U and CPI-W. The use of expenditure data for both a base period and the current period in order to average price change *across* item categories distinguishes the **C-CPI-U** from the other CPI measures, which use only a single expenditure base period to compute the price change over time. In 1999, the BLS introduced a geometric mean estimator for averaging prices *within* most of the index's item categories in order to approximate the effect of consumers' responses to changes in relative prices *within* these item categories. The geometric mean estimator is used in the **C-CPI-U** in the same item categories in which it is now used in the CPI-U and CPI-W. (See Monthly Labor Review, October 1998, pp. 3-7.)

Expenditure data required for the calculation of the **C-CPI-U** are available only with a time lag. Thus, the **C-CPI-U** is being issued first in preliminary form using the latest available expenditure data at this time and will be subject to two subsequent revisions. Accordingly, with release of the July data, "final" values of the **C-CPI-U** have been issued for the 12 months of 2000, "interim" values have been issued for the 12 months of 2001, and "initial" values have been issued for January-July of 2002. In February 2003, with release of the January 2003 index, revised interim indexes for the 12 months of 2002 will be published, and the index values for 2001 will be revised and will become final. Then, in February 2004, when the monthly expenditure data from calendar year 2002 become available, **C-CPI-U** indexes for the 12 months of 2002 will be issued in final form and values for the 12 months of 2003 will be revised and issued as interim. The **C-CPI-U** index revisions are expected to be small, but in principle each monthly index could be revised from its previously published level.